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ABSTRACT

The main responsibility of the U.S. Bureau of the Census, Bureau of Labor Statistics, and the National Centers for Health and Education Statistics is to collect, process, analyze, and disseminate statistical data on the economic, physical, and social characteristics of the United States. Under the Paperwork Reduction Act of 1980, the federal statistical system was curtailed because of major shifts in government policies and the subsequent budget cuts. Statistics have a powerful impact on the economy, and public and private use of federal statistics include: (1) the determination of workers' and retirees' income; (2) moving from market research to affirmative action programs; (3) allocation of monies for domestic assistance programs; (4) research in many fields; and (5) comparison studies. Under the budget constraints, which meant that in the future fewer statistics would be available, federal agencies were beginning to: (1) collect information less frequently; (2) reduce the sample size, content, and/or geographic coverage; (3) extend the time between data collection and publication; (4) reduce frequency, scope, and distribution of publications; and (5) release statistics only on computer files or on microfiche. Some cutbacks are affecting the 1990 Census, and when the Office of Management and Budget (OMB) issued a directive to reduce content and coverage, it met with unprecedented resistance from Census users. Some future consequences for statistical users include: (1) a loss of quality And usefulness of statistics, programs, and reports; (2) reduced funding for technological advancements; (3) data available through private vendors limiting accessibility; and (4) the situation where the collection burdens fall to state and local governments. (DJC)

POPULATION TRENDS AND PUBLIC POLICY

ED303406

# Losing Count: The Federal Statistical System

by Katherine K. Wallman

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# Losing Count: The Federal Statistical System

The United States is cutting back its federal statistical system just when it needs it the most. Facing serious challenges to its global economic preeminence and stresses on its health care and educational systems, the U.S. needs facts to cope with a complex, fast-moving world. Yet, in the 1980s, the statistical work of the federal government has been viewed as costly and burdensome by many top officials.

Government agencies collect, analyze, and distribute a multitude of facts about our economy and society. Agricultural statistics trace crops from the fields to the dinner table. Demographic data describe trends in childbearing, education, employment, and mortality. Health indicators have helped convince millions of Americans to change their diets, exercise more, and stop smoking—reducing stroke-related death rates. Business statistics are "the heavenly bodies of economics," pulling stock prices up and down, and guiding corporate decisions.

Many of the statistics collected are required for specific government functions: apportioning seats in the U.S. House of Representatives; administering federal programs; or enforcing laws and regulations.

A small staff within the U.S. Office of Management and Budget (OMB) coordinates the policies governing federal statistical activities. But the statistical system has waned, largely because of the 1980 Paperwork Reduction Act, the Gramm-Rudman-Hollings spending restrictions, and a philosophical shift about the proper role of the government in statistical activities. OMB's main concern appears to be reducing the public burden (generally defined as the amount of time) imposed by data collection activities.

Many statistical agencies and activities have suffered cuts. Between 1980 and 1988, appropriations for nine agencies that produce economic statistics declined by 13 percent. The Energy Information Administration lost 43 percent of its employees, the Census Bureau lost 9 percent, and the National Agricultural Statistics Service lost 18 percent of its staff.

Many federal surveys are conducted less frequently and numerous publications have been delayed or eliminated. Some data now are available only on computer files, reducing access for less-sophisticated users and raising fears that we may be creating an "information poor" and an "information elite" within our society.

In the void left by the government, but also a result of the computer age, a new industry has emerged: companies that "add-value" to federal statistics by tailoring them for individual customers. While many see "privatization" as a healthy trend, others fear it undermines the objectivity, reliability, and breadth of information available to federal policymakers, and restricts access for other users.

The government could do much to aid the ailing statistical system. Federal statistical activities need the focused attention of a policy coordination unit within the Executive Branch. Consolidating congressional activities that affect statistical agencies might facilitate a better assessment of federal data needs. Perhaps most important, federal statistics need to be evaluated in terms of their intrinsic worth to the government and to Americans, not merely by the "burden" they might impose.

# Losing Count: The Federal Statistical System

*by Katherine K. Wallman*

At a time when the United States faces serious challenges to its global economic preeminence, the excellence of its educational system, the quality of its labor force, and the adequacy of its medical care, the federal government has been scaling back its ability to meet these challenges. The federal statistical system, to which almost every government agency contributes, is being curtailed, in part because of funding cuts, but more fundamentally because of major shifts in government policies.

Since 1980, policymakers within the administration have questioned the basic responsibility of the federal government to gather and disseminate statistics, and have encouraged a shift of some statistical activities to the private sector. At the same time, officials in the U.S. Office of Management and Budget (OMB) have been more concerned by the public burden imposed by the data collection process than with benefits offered by the statistics.

Coordinating the production and publication of the mass of statistics emanating from government agencies each year is a formidable task. The OMB has assumed the responsibility for coordinating this decentralized federal statistical system. It has authority over what statistics are collected, who should collect them, and how they are disseminated. Often, however, only the federal agencies, private businesses, or public groups that use particular data appreciate their value.

Limits on the statistical system threaten the government's ability to track changes over time and its capacity to update statistical programs to reflect new developments in the economy and society.

In 1986, Senator Paul Sarbanes advised a congressional hearing, " . . . the quality of our statistical data is a vital factor in making sound judgments possible. Good statistics do not guarantee good policies, but they are part of the framework of decision-making which makes good policies more likely."[1]

## What is the Federal Statistical System?

The roots of our federal statistical system can be traced to the U.S. Constitution, when the founding fathers called for a census of the population to equitably apportion membership in the House of Representatives. Since then, national leaders have valued statistical information, and the number and variety of facts collected by the federal government have continued to grow.

Still true today, a congressional report noted some 65 years ago:

"The statistics collected by the Government relate to nearly every aspect of our economic and social life. Statistics of agriculture begin with the seed and follow through to the marketing of the ripened product. Statistics of manufacturers extend from the mining of crude ore to the production of the manufactured article; . . . and those of social relationships from a mere enumeration of population to elaborate data regarding the incidence of disease."[2]

The U.S. federal statistical system comprises numerous agencies that collect, process, analyze, and disseminate statistics on the economic, physical, and social characteristics of the nation and its people. Some agencies produce statistics as their principal mission; the Bureau of the Census, the Bureau of Labor Statistics, and the National Centers for Health and Education Statistics are among these (see Box 1). But most government agencies generate statistics as a secondary activity in support of their primary responsibility: the administration of benefit programs such as Social Security or Medicare, or regulation in areas such as occupational health and safety, imports and exports, the banking system, or the disposal of toxic substances.

In 1985, the Office of Management and Budget reported that more than 70 agencies each spent at least $500,000 annually for statistical activities.[3]

### Box 1: The Principal Federal Statistical Agencies

The **Bureau of the Census** produces statistics on the population and the economy, including demographic information and data on construction, manufacturing, retail and wholesale trade, services, foreign trade, and state and local government finances and employment. "Periodic programs" include the decennial census of population and housing, and the quinquennial economic censuses, and the censuses of governments and of agriculture.

The **Bureau of Labor Statistics** provides data on employment and unemployment; prices and living conditions; consumer expenditures; wages and employee benefits; industrial relations; productivity and technological change; projections of economic growth, the labor force, and employment by industry and occupation; and occupational injuries and illnesses.

The **Bureau of Economic Analysis** prepares the national income and product accounts, input-output accounts, balance of payments and associated foreign investment accounts, personal income and related economic series.

The **National Agricultural Statistics Service** provides national and state data on current year crops, livestock, poultry, dairy, prices, and other aspects of the agricultural economy.

The **Energy Information Administration** produces data on energy resources, production, distribution, and consumption. EIA prepares reports on traditional fuel sources and maintains statistical systems on the international energy situation, energy supply and demand balances, and economic and financial matters.

The **National Center for Health Statistics** produces information on births, deaths, health status, marriage patterns, and exposure to unhealthful influences, the onset and diagnosis of illness and disability, and the use of health care and rehabilitation services.

The **National Center for Education Statistics** provides statistics on education, including data on enrollments, degree awards, staff, revenues and expenditures, teacher supply and demand, and other key education indicators.

The **Bureau of Justice Statistics** produces information on crime, victims of crime, criminal offenders, and operations of justice systems at all levels of government.

In total, statistical work of the federal government represents an expenditure of approximately $1.5 billion per year, an amount equal to less than two-tenths of 1 percent of the federal budget.

Generally, the individual agencies are responsible for designing and managing the programs that fall within their domains. Budgets for statistical programs are established within the context of the priorities of their parent departments—many activities of the Bureau of Labor Statistics relate directly to other Department of Labor programs, for example. Appropriations are considered by the Congress on an agency-by-agency basis, again in the context of particular government missions.

## Coordinating Statistical Activities

Despite the size and decentralized structure of the federal statistical system, relatively little effort has been devoted to the coordination of its activities, particularly in the 1980s. For almost 50 years, from 1933 until 1982, the federal government had a separate office (for the most part within the OMB) responsible for coordination of statistical programs. Although federal statistical activities expanded rapidly during that period, resources for the statistical policy function reached a peak just after World War II, and declined gradually thereafter. By 1977, the staff of the Statistical Policy Division in the OMB numbered 29.

In the spring of 1982, OMB abolished its separate statistical unit, merging the statistical policy functions mandated by the Paperwork Reduction Act of 1980 with other functions within the Office of Information and Regulatory Affairs (OIRA).

At the same time, staff resources assigned to statistical policy activities were further reduced, leaving only a handful of professionals. This small group was expected to: protect the integrity, objectivity, and adequacy of statistical programs; eliminate inefficiencies, duplication, and unnec-

*Federal agricultural statistics trace the path of food crops from the field to the dinner table.*

essary burden in reporting programs; develop and implement standardized classifications and definitions; promote and disseminate advances in techniques; and ensure the maintenance and improvement of high priority programs essential for the measurement of important trends.

OMB did agree, in response to outcries from the professional community and pressure from the Congress, to reinstate its statistical policy office within OIRA. However, OIRA's focus on paperwork reduction and regulatory matters left little time for statistical policy and coordination. The current staff is too small to address even major system-wide issues; other problems, especially within smaller agencies that produce statistics, often must be ignored.

Despite concerted outside pressure to persuade OMB to better organize its statistical policy function, little has been done to strengthen OMB's handling of statistical issues.

Statistical matters continue to fare poorly in competition with other government programs for recognition and resources. The irony of the inverse relationship between the growth in the scope and importance of federal statistical activities and the decline in resources allocated for planning, evaluating, and improving the programs of the federal statistical agencies has long been noted. In the 1980s, however, this anomaly has emerged as an acute problem.

## Who Uses Federal Statistics?

"Statistics are the heavenly bodies of economics," stated a 1988 *TIME* magazine article. They not only are used for navigation by business, policy planners, and researchers but also exert a powerful pull over the tides of the economy. A high monthly figure for the trade deficit, for instance, can send floods of money rushing out of the stock market in a sell-off.[4]

Federal statistics are used in the determination of monetary and fiscal policy. The incomes of many workers and retirees are indexed to data produced by federal statistical programs. Private businesses rely on federal statistics for many purposes ranging from market research, strategic planning, acquisition studies, and security analysis to implementation of affirmative action programs (see Box 2, page 13). Billions of dollars for domestic assistance programs are allocated to state and local governments every year under formulas based on federal statistics. Local agencies use federally produced statistics in planning for child care and senior centers, for schools and hospitals, and for transportation services. Research in many fields—economics, sociology, demography, health, transportation, agriculture, and numerous other areas—depends upon federal statistics (see Box 3, page 14).

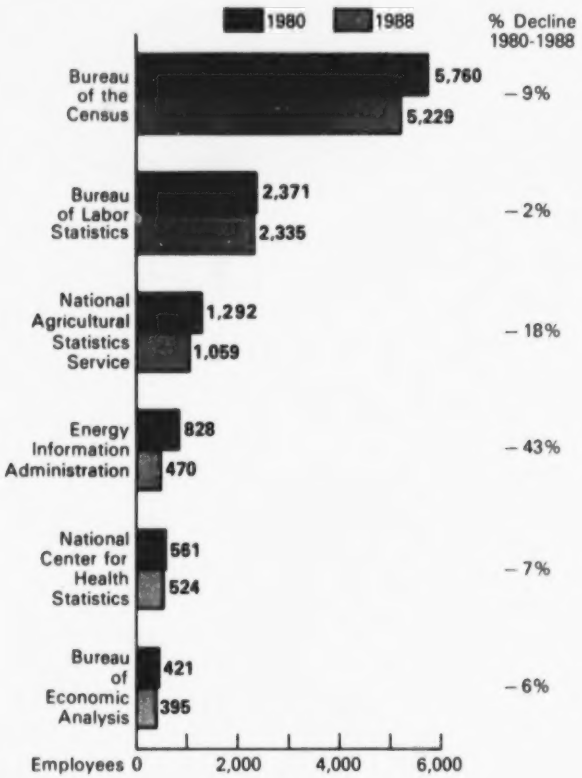
Federal statistics also provide the benchmarks to which other data are compared, as well as the standards on which nearly all public and private information collection activities rely. Private survey results are validated by comparing them to federal survey data; the national population censuses and surveys provide the data and models for the design of samples throughout the private sector; and concepts and definitions used in federal statistical programs furnish the point of reference for statistical work at other levels of government and in the private sector.

## Major Budget Cuts

Since the early 1980s, budget allocations for federal statistical programs have been cut, mirroring the declines in funding for most civilian government activities. Adjusted for inflation, the statistical programs that provide principal economic measures suffered a funding reduction of almost 20 percent between 1980 and 1983, with the largest decrease occurring in 1982.[5]

Following the major cuts enacted in 1982, the budgets for the principal statistical agencies began to expand modestly, allowing them to meet the rising costs of their core activities. In 1986, however, the Gramm-Rudman-Hollings spending restrictions, and in 1988, the "budget summit," introduced new rounds of across-the-board budget cuts which reduced funding below the initial recommendations of the administration and the Congress. In constant 1988 dollars, the operating budgets of nine agencies that produce economic

*Figure 1*
*Number of employees in six federal statistical agencies, 1980 and 1988*



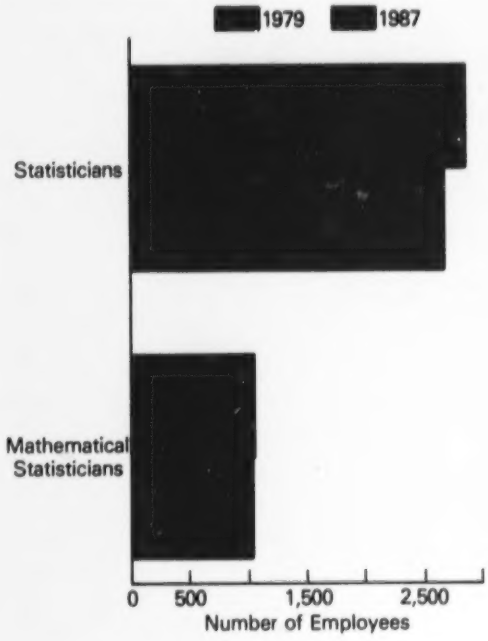

Source: Reference 1

statistics, for example, declined from $570 million in 1980 to $498 million in 1988, a decrease of nearly 13 percent over the eight-year period.[6]

The number of employees in the principal statistical agencies also has declined since 1980 (see Figure 1, page 5). The Energy Information Administration suffered the largest loss of staff—43 percent—while the National Agricultural Statistics Service staff declined by 18 percent, and the Census Bureau staff by 9 percent (excluding staff hired to administer periodic censuses). The number of employees in the National Center for Education Statistics declined by 11 percent, down to 128 employees. And, in the midst of an all-out war on crime, the Bureau of Justice Statistics had just 48 staff members in 1988.

Since word processors, mini- and micro-computers, and other technological advances have been introduced, many federal agencies have reduced their need for support staff. However, the number of professional statisticians also has declined. In 1987, 2,666 statisticians and 1,032 mathematical statisticians were employed by the federal government: These totals represent 7 percent fewer statisticians and 1 percent fewer mathematical statisticians than were employed in 1979 (see Figure 2).

*Figure 2*
*Professional statistical staff of the federal government, 1979 and 1987*




Source: Reference 2

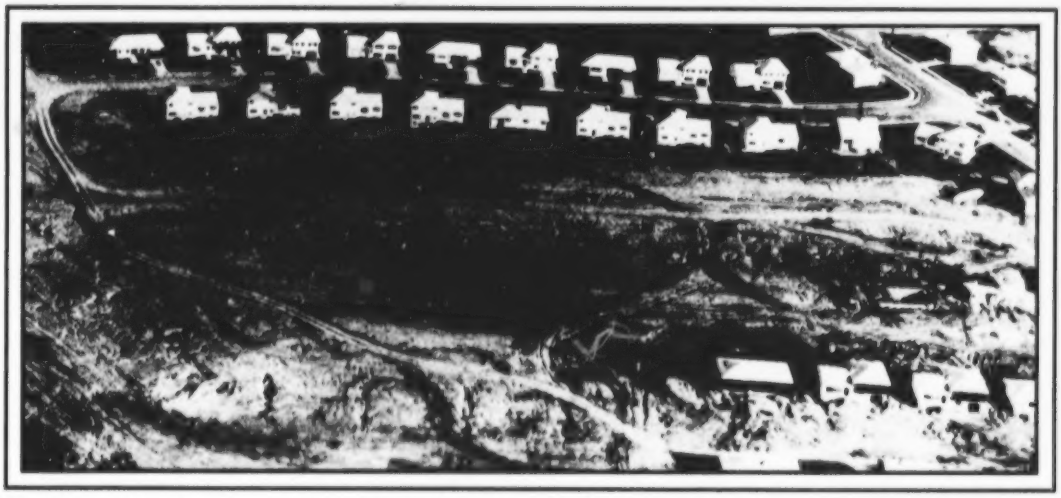
## Fewer Statistics Available

The specific budget cuts of recent years, coupled with stringent personnel ceilings, uncertainties about the levels of resources that ultimately would be available each year, and restrictions on how dollars appropriated could be spent, have made it difficult for the statistical agencies to maintain and improve the quality of their programs and products. In some cases, budgetary constraints have eliminated programs that were obsolete or of poor quality, or have encouraged more efficient data collection strategies. And, despite budget constraints, a few new initiatives such as the Survey of Income and Program Participation (SIPP), or major revisions of existing programs such as the Consumer Price Index (CPI) have been undertaken, although both were delayed as a consequence of budget cuts in the early part of the decade.

By and large, however, tight funding levels for statistical programs have required agencies to alter the scope of activities by: (1) collecting information less frequently; (2) reducing the sample size, the content, and/or the geographic coverage of particular surveys; (3) extending the time between data collection and publication; and (4) eliminating or reducing the frequency, scope, and distribution of publications and other products.

As a result of the across-the-board reductions in 1982, the National Center for Health Statistics found it necessary to severely reduce the frequency of seven major surveys. The National Health and Nutrition Examination Survey, for example, is now conducted every 10 years rather than every five years and the National Ambulatory Medical Care Survey became triennial rather than annual. Similarly, the Annual Housing Survey became the American Housing Survey, conducted every other year; the Department of Energy's Residential Consumption Survey was shifted to a multi-year cycle; and the Census Bureau's population estimates for cities are prepared less frequently.

Reductions in sample sizes, with attendant losses of geographic detail and data quality, were made in the early 1980s in such critical programs as the Current Population Survey (CPS), the



*The Annual Housing Survey, renamed the American Housing Survey, is now conducted biennially.*

source of the nation's monthly statistics on employment and unemployment. The CPS sample cuts meant that statistics for regional and minority populations were less reliable.

Delays in processing data and reductions in publication and dissemination services were implemented in virtually every agency. Among the most notable, the detailed population characteristics from the 1980 Decennial Census of Population and Housing were not released until late 1983. Although the Census Bureau attempted to minimize the impact of these delays by issuing special reports for large areas, such publications failed to address the principal benefit of a census—providing data for small areas and groups.

Efforts to provide information on "social indicators" have been abandoned. In 1974, 1977, and 1980, statistical compendia—the "Social Indicators" reports—were published, integrating data on a broad array of topics. Since 1980, however, there has been no formal mechanism within the statistical system to publish indicators of status and change in areas such as family composition; health and nutrition; housing; transportation; public safety; education; social security and welfare; income and productivity; social participation; and use of time.

Much of the information from the statistical agencies is available on tape or in microfiche, but delays and cancellations of printed reports have effectively denied access to the many users of federal statistics who have neither the skills nor the financial resources to use computer files.

## "Mortgaging the Future"

While the curtailment of surveys, publications, and related activities are the most visible results of budget cuts, a number of less noticeable effects may have even greater consequences for the quality and usefulness of federal statistics. These consequences, according to U.S. Commissioner of Labor Statistics, Janet Norwood, amount to "mortgaging the future." Research to improve the quality of various statistical programs is needed, but agencies have found it difficult to fund such efforts as they have striven to continue fundamental data collection activities. In a constantly evolving economy and society, statistical concepts and definitions must be updated, but agencies have not been able to implement such changes. Introduction of technological advances that would allow agencies to improve the efficiency and quality of federal statistics, has been delayed.

Decisions about which programs to retain or cut are made on an agency-by-agency basis, making it difficult to consider not only the relative importance of each program in meeting societal needs, but also the effects of individual decisions on the statistical system overall, or on the activities of other agencies. Talented young people are less willing to enter or continue service in the federal statistical system, causing a decline in the quality of staff.

Thus, the health of our statistical system is being undermined not only by losses to existing pro-

*The National Center for Education Statistics provides data needed to project future educational needs.*

grams, but also by neglect of known weaknesses and gaps. A statistical system that appears to be "holding steady" is in fact falling behind in its ability to document and analyze present social and economic conditions, and provide information needed to formulate rational policies.

The demise of the proposed mid-decade population and housing census serves as a prime example of how the statistical system is falling behind. The national census, conducted every 10 years since 1790, counts the population in the entire country. Using these benchmark data, the Bureau of the Census prepares population estimates for small geographic areas at regular intervals during the 10-year intercensal period. These local-area estimates serve a variety of purposes, ranging from the allocation of federal funds to local planning for education and health facilities.

In 1976, in part because postcensal population estimates for small areas were sometimes well off the mark, Congress mandated a "mid-decade census" in 1985 and every 10 years thereafter. The Bureau of the Census and the Office of Federal Statistical Policy and Standards began to plan for the 1985 mid-decade census. But the necessary funding was not recommended by the Carter Administration, and the project was abandoned. Although the legislation still remains "on the books," there are no plans for a 1995 mid-decade census.

Gaps and weaknesses in the statistical system also hamper the ability to understand developments affecting productivity. We need to understand the role of research and development in increasing productivity, to trace the diffusion of innovation, and to evaluate the role of small and large firms in enhancing economic growth. Productivity is thought to depend heavily on the education and training of the labor force yet it is difficult to relate current statistics on education to measures of achievement, an exercise which could foster better understanding of effective schools and on-the-job training programs. Further, while many economists argue that a higher savings rate is crucial to future productivity, current statistics on savings are deficient.[7]

## Demographic Trends Compound Problems

The United States is experiencing many demographic changes with major public policy implications: Americans are living longer; households are becoming smaller and more diverse; and a majority of women with young children are working outside the home. With the aging of the population, issues such as income security and provision of

care for the elderly have gained importance, yet information on individual savings patterns, sources of income for older people, and the costs and quality of alternative forms of care for senior citizens is inadequate.

Although both the number of families headed by single women living below the poverty line and the number of children with working mothers are rising, we know very little about child support payments by absent parents for their children or about child-care and after-school-care needs of working mothers.[8]

As we seek to fill these gaps in our information base, our problems are compounded because many federal statistical series remain based on the concept of a household unit consisting of a nuclear family: a married couple, typically with children, supported largely by the income of the husband. At the time these series were established, the household was perceived to be the appropriate unit for gathering information on labor force participation, education levels, income, poverty, fertility and marriage, savings and asset accumulation, and consumer expenditure patterns.

In today's society, the traditional notion of the married-couple family as the unit of observation is no longer adequate. By the year 2000, only about one-half of all American households are expected to be married-couple families. In "nonfamily" households consisting of unrelated individuals, one household member may not have accurate information on the income or employment history of the other members. The methodology for collecting information on the social and economic conditions of the population must be brought into line with current demographic trends.

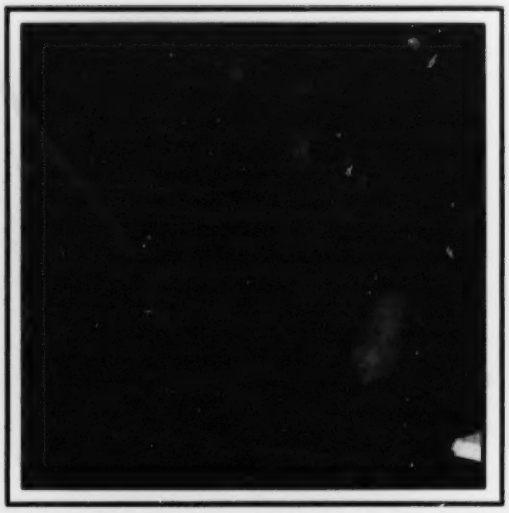
*Some statistical series are still based on the nuclear family as the basic household unit.*

## "Burden Budget"

While fiscal budget constraints clearly have curtailed federal statistical activities, a number of other developments also have had an impact on the quality and accessibility of federal statistics. With the passage of the Paperwork Reduction Act of 1980, agencies have been increasingly pressed to reduce the public "burden" (generally defined as the amount of time) associated with providing information to the federal government.

Concern about the burden of federal reporting requirements dates back to the Federal Reports Act of 1942, enacted to ease the information demands on business and industry occasioned by World War II. As the federal role in information collection has expanded to new areas, the Federal Reports Act has been applied more broadly to government data collection activities, regardless of whether they involved businesses or households; were repetitive or one-time studies; were used to regulate, to administer a benefit, or to serve as a basis for research; or whether participation by the public was mandatory or voluntary.

Emphasis on the burden issue grew during the Ford and Carter Administrations when new programs were established to ensure that needs for information would be carefully balanced against the costs to the public. With the passage and subsequent implementation of the Paperwork Reduction Act, however, both philosophical and practical changes were introduced. From a philosophical perspective, OMB's evaluation of proposals to collect information often appears to rest almost exclusively on assessing the burden that will be imposed, with less attention given to the potential value of the data that will be produced.



*The "burden" of data collection is usually defined as the amount of the public's time it requires.*

Agencies now are required to live within approved "information collection budgets." Statistical collection must compete with regulatory and administrative reporting for a share of the "burden budget" pie.

While many statistical activities have been curtailed, or foregone, as a consequence of the burden reduction requirements, a single example serves to demonstrate how paramount this concern has become.

## Scaling Back the Census

The decennial population and housing census questionnaire, sent to every American household, asks just a few questions: How many people reside in the household, the age, sex, and race of each person, and a few other items. A more detailed "long form" questionnaire, sent to a sample of households, collects a wider variety of data. In 1984, OMB established an interagency committee to develop the proposed content for the 1990 Census, in part to ensure that the questionnaire would place the least possible burden on the public while collecting critically needed information.

When the plan for the census "dress rehearsal" was submitted for final clearance in 1987, OMB expressed strong objections to the proposed plan. Justification for much of the census content was inadequate, according to OMB, and as many as 30 items might be dropped from the questionnaire. Invoking its responsibility under the Paperwork Reduction Act to reduce burden on the public, OMB suggested eliminating, or moving from the 100 percent to the sample questionnaire, virtually all of the proposed housing items. Several sample questionnaire items related to employment, commuting, migration, and fertility also were deemed to be inadequately justified.

In the weeks that followed, OMB was persuaded through testimony at congressional hearings and more than 1,000 letters from the user community to retain the disputed population items, but insisted on eliminating or reducing coverage for questions on utility costs and housing, and on sending the more detailed census "long form" to a smaller sample of households.[9] OMB's directive to reduce the content and coverage of the 1990 Census met unprecedented resistance from the user community. With considerable urging from many members of Congress, culminating in a March 1988 letter to the President from a bipartisan group of some 30 members of the House and Senate,[10] OMB finally was persuaded to abandon most of the proposed reductions. By investing substantial time and effort, users of census information succeeded in restoring the 1990 Census content and sample size essentially to the level originally proposed by the Bureau of the Census.

## Further Stresses on the System

The capability of the federal statistical system to provide needed information also has suffered, however inadvertently, from the deregulation of energy, transportation, banking, and other industries. The right to collect data and the responsibility to make those data public often have been tied to a federal regulatory authority. In turn, a large body of uses, unrelated to regulatory purposes, has grown up around such data bases. With deregulation, the data collection systems have been dismantled, eliminating the basic source of data on these activities.

Decentralization of government programs also has curtailed some federal statistical activities. As many functions have been shifted to states and localities, the federal agencies previously responsible for managing these programs no longer collect administrative information that served indirectly as a source of federal statistics. States and localities often have neither the incentive nor the capability to produce comparable data to fill these gaps.

Additional stress on the federal statistical sys-

tem arises from what has been described as a "growing, intimate embrace between statistics and public policy decision-making" which "has greatly increased the significance and decision value of the statistics we produce."[11] The expanding use of federal statistics in determining eligibility for, and the allocation of, public funds is a dramatic manifestation of this embrace. In particular, policymakers in the Congress increasingly have called upon the statistical agencies to produce new types of data, for smaller geographic areas, for use in funds distribution. In many cases, the agencies have neither the technical nor the operational resources to meet these mandates, and are left with unenviable choices: failing to meet the lawmakers' requests, leaving public programs bereft of a good statistical base for fund allocation (and risking congressional displeasure that could threaten support in future years), or reallocating resources to meet new demands, thus neglecting core agency programs.

## New Constraints on Access

The declining cost of processing masses of data by computer has fostered a burgeoning "information industry," and a debate about public versus private sector rights and responsibilities to disseminate information collected with federal funds. Processing, packaging, and distributing federal statistics can be a profitable venture for private sector companies who can play an important role in data analysis and dissemination. Such organizations, whose claims in this domain are reinforced by an OMB circular (No. A-76) that directs federal agencies "to rely on commercial sources to supply the products and services the government needs," are able to capitalize on and "add value" to the statistics collected by federal agencies and sell them to public and private users. Further, these companies have often been responsible for introducing new technologies and demonstrating more efficient ways to disseminate data. Many argue, however, that access via private vendors effectively limits the user community to those who can afford the purchase price. And some contend that while commercial sources provide data more promptly and can more easily tailor products to meet the needs of individual users, the quality of such products is sometimes inferior to those prepared by government agencies.

Access to federal statistics is being further reduced through the growing practice of charging "user fees" for information from federal agencies. While initially instituted in response to cuts in funding, support for a broader application of user fees emerged in the late 1980s. In 1987, the Working Group on the Quality of Economic Statistics, established by the President's Economic Policy Council, reported that charging fees for the use of federal statistics would capture some of the advantages of a market: If users had to pay for these products, they would have an incentive to be more discerning about the quality of data purchased. Producers, in turn, would have an incentive to improve their products to meet users' requirements. The prices of the statistical publications and products would reflect their market value.[12] While a uniform system of user fees for the statistical products of federal agencies has yet to be developed, groundwork for imposing further user fees has been laid.

New ways of disseminating large amounts of data, particularly in formats accessible by personal computer, will expand access to federal statistics for those equipped to use the new technologies. At the same time, publication of printed reports is expected to decrease, limiting access to federal statistics for the less sophisticated users. Concern about the extent to which technological advances may lead to an "information poor" and an "information elite" has surfaced.

## A Key Philosophical Shift

Most fundamental of the changes affecting the federal statistical system has been a shift in basic philosophy pertaining to the role of the federal government in providing information to the public. Officials of the Reagan Administration, have argued both explicitly and implicitly for a less substantial investment in this area. In 1982, for example, Christopher DeMuth, the OMB administrator for Information and Regulator Affairs stated:

> In the past, agencies collected much greater detail than was needed for national policy-making purposes. It is understood now that agencies justify their data collecting programs to OMB in terms of the needs of the federal agencies alone, not of states, local governments, or private firms.[13]

Two years later, Mr. DeMuth's successor, Douglas Ginsburg argued:

> The more money we spend to collect, process, and disseminate information, the less there is available for government services.[14]

In 1985, OMB issued new guidelines for manag-

ing federal information resources (Circular No. A-130) that prescribe a relatively restricted and passive federal role. The Executive Branch agencies are to "collect only that information necessary for the proper performance of agency functions and that has practical utility," and "to satisfy new information needs through legally authorized interagency or intergovernmental sharing of information, or through commercial sources, where appropriate."

Agencies are to distribute only those products and services "specifically required by law" or needed to perform agency functions—if they do not duplicate similar products and services that are, or could be, provided by other government or private sector organizations. Agencies are further required to minimize costs by shifting the dissemination of information products and services to the private sector as much as possible, and by assessing user fees.

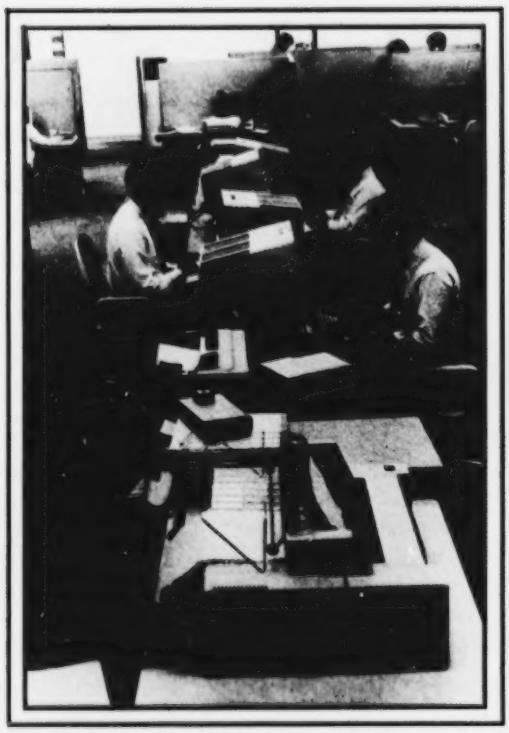
Those who oppose this philosophical shift argue that the federal government has a responsibility to produce the statistics it needs for its own use, as well as information that states, local governments, or private citizens need but are incapable of collecting. Further, many feel that only the federal government can produce uniform statistical series of unquestioned integrity. Widespread privatization of the collection and dissemination of information, opponents contend, will result in:

- serious gaps in coverage, because the kinds of statistics used to prepare policy recommendations and to keep a permanent historical record do not have much profit potential;[15]
- decreases in reliability, because private organizations lack the necessary authority to gain the confidence of respondents; and
- limits on public access, because private information services charge more than most community organizations, inquisitive citizens, or academic researchers can pay.[16]

The drawbacks to privatization are too great, in sum, to leave basic statistical activities to any one group except the federal government.

## Policy Considerations

Why does the United States have a federal statistical system that takes responsibility for gathering information about the state of our society? Why do we conduct censuses, establish economic indicators, and develop indices of our educational and health status, the condition of our environment, the incidence of crime, and other measures of our progress and problems?



*New technologies and agency cut-backs may lead to an information "elite" and information "poor."*

Answers to these questions often focus on arguments that rationalize expenditures of scarce public resources, or justify the cost to the corporation or citizen of providing information. Such responses—couched in terms of uses by the Congress to frame legislation, by the Executive Branch agencies to administer and evaluate programs, by business to plan effective strategies, or by researchers to increase the sum of human knowledge—are legitimate and compelling.

But such arguments may obscure a fundamental principle: That a well-informed electorate with ready access to knowledge about the state of the society is a cornerstone to the proper working of a democracy. Decisions about the federal statistical programs will affect every citizen, not just those who are using information in an institutional context. The federal statistical system is called upon to serve the voters of today and tomorrow. It is on their intelligent choices that the success of our democracy ultimately depends.

The quality, utility, and accessibility of federal

statistics will continue to be influenced by diverse forces, including:

- the resources devoted to collection, analysis, and dissemination;
- the way the statistical system is organized to define priorities and marshall resources;
- the breadth of interchange between statistical policymakers in government and outside users; and
- the attractions of a career working with government statistics.

Most fundamental, however, will be the philosophical stance that frames day-to-day decisions in the Congress and the administration about federal statistical activities.

The answers to two questions are central to the future of our federal statistical system: First, is it the responsibility of the federal government to produce statistics—not just for narrowly defined federal uses but for the benefit of the nation and its people? Second, can it be convincingly demonstrated that the benefits of statistical information far outweigh any associated burden?

During the 1980s, the response to these questions, in particular by policy officials at the OMB, often has been "no." But unless these questions are answered affirmatively, little progress in maintaining or improving our federal statistical programs will be possible.

Why should statistics be viewed as a benefit? And why should the federal government be responsible for producing the core statistics necessary to inform our public and private, organizational and individual decisionmaking? Former Commerce Under Secretary Sidney Jones offers a succinct rationale:

> . . . focusing only on the costs of collection naively ignores the more serious costs of making inferior public and private policy decisions when inadequate or misleading information must be used . . . only the federal government can prepare a continuous record of data protected from the fluctuating interests of individual institutions.[17]

If agreement can be reached on the essential value of statistical data, and on the fundamental responsibility of the federal government to gather, compile, and publish this information, then a context will exist for examining some of the specific stresses on the statistical system.

### Box 2: Business Depends on Federal Statistics

Businesses depend on federal statistics to help carry out many of their most basic activities: marketing, external affairs, facilities placement, and human resources development.

Businesses exist to sell products and services; marketing is the key to finding potential purchasers of their products and to determining how and when purchases will be made. Marketing requires consumer information such as the demographic data provided by the U.S. Census Bureau's *Current Population Reports* and economic data provided by *County Business Patterns*.

Another major function of businesses may be characterized as "external affairs." To interact successfully with the public, a company must understand the size, composition, and distribution of the resident population as well as of the organizations that constitute the working environment of the firm. Information from federal population and economic censuses and surveys provides the basis for understanding this universe.

Facilities placement, a basic business activity, involves site selection for manufacturing plants, distribution centers, wholesale and retail outlets, and service centers. Businesses need to know the current and projected size and composition of the market to meet demands effectively. Facilities plans incorporate demographic forecasts developed by the Bureau of the Census, as well as gross product forecasts from the Bureau of Economic Analysis.

Human resources administration in business depends upon detailed labor force and area wage data from the Current Population Survey and the Industry Wage Surveys sponsored by the Bureau of Labor Statistics. This information is used for contract negotiations with unions, and for labor force forecasting and recruitment.

*—A. Dianne Schmidley, Manager, Demographic/Economic Studies, Bell Atlantic*

## Policy Alternatives

Strengthening the planning and coordination of the decentralized U.S. federal statistical system will be critical if improvements are to be achieved, particularly in the context of continuing constraints on fiscal resources. Within the framework of OMB's Office of Information and Regulatory Affairs, the value of statistical activities has been subjugated to burden reduction efforts, and human resources devoted to planning and coordination have been minimal. Agencies have had no forum to discuss cross-cutting problems and procedures, and even less means for initiating new priorities and achieving economies of scale through cooperative endeavors.[18]

Two changes which could improve planning and coordination of statistical activities are removing the statistical policy functions from the Office of Information and Regulatory Affairs (and perhaps from the Office of Management and Budget), and assigning additional resources for performance of these functions.[19]

Some advocate the consolidation of the principal statistical agencies, together with some of the smaller units that produce statistics, into a single independent statistical agency comparable to those found in some other countries. Proponents argue that economies of scale would be achieved, that coordination would be improved, and that statistical activities might be better insulated from external political pressures.

Opponents suggest that statistical activities are more relevant to policy and program concerns when they are housed in mission-oriented departments; and some contend that budgetary support may be stronger when statistical functions are clearly allied to activities of the parent department. Both those who favor centralization and those who oppose it recognize the need for strong coordination of statistical programs—regardless of the type of organizational structure.

In 1971, the President's Commission on Federal Statistics recommended establishment of an independent body to review federal statistical activities and to conduct special studies on important statistical questions.[20] Since its founding in 1972, the Committee on National Statistics at the National Academy of Sciences has undertaken numerous studies to assess particular statistical programs. Professional societies, individual researchers, along with federal agencies have documented strengths and weaknesses of current programs and outlined needed improvements.

### Box 3: Improving Our Health With Federal Statistics

The development of legislation by the Congress and the planning of new programs often can be traced directly to federal statistics. Decisions that have affected the health of Americans illustrate how the system serves our needs.

- Steadily rising rates of lung cancer mortality among males in the 1950's fostered dozens of epidemiological investigations which linked cigarette smoking to lung cancer. These results led to the first Surgeon General's report on the health consequences of smoking, and to the legislative requirement for warning labels on cigarettes.

- When an intensive 1963 Survey of the Aged demonstrated that only 50 percent of the elderly population had any form of health insurance, legislation was introduced to amend the Social Security Act to initiate the Medicare and Medicaid programs.

- Data gathered through the National Health and Nutrition Examination Survey (NHANES) in the early 1960's provided the first national estimates of blood pressure by age, race, and sex. Changes in these indicators over time prompted a major health program to reduce hypertension that is considered partly responsible for recent declines in stroke-related death rates. Statistics from NHANES on levels of lead in the blood prompted the setting of a firm timetable for eliminating the sale of leaded gasoline for automobiles.

- Data from the National Health Interview Survey on the limitations of activity due to chronic disorders in the elderly population are being cited in discussions about improving access to long-term care, as well as in the consideration of a national insurance program to cover "catastrophic" illnesses.

*—Theodore Woolsey, former Director, National Center for Health Statistics*

*The National Health Interview Survey collects data about the long-term care needs of the elderly.*

Although the agencies have made some progress, there has not been an overall review of priorities for action, nor has there been a national commitment to building a statistical system that will better serve our society. The Committee on National Statistics could conduct a comprehensive assessment of needs and priorities based largely on available studies. Support for and cooperation in this endeavor could be provided by the statistical agencies and the professional societies.

To protect high priority, multi-year statistical programs and surveys, some propose that funding for these programs be removed from the vagaries of year-to-year budget decisions. Once overall funding requirements for multi-year and periodic surveys are determined, appropriations could be provided on a longer-term basis.

Further, decisions about priorities and resources for statistical programs are highly decentralized in the Congress. In recent years, the Joint Economic Committee has worked with the appropriations committees to ensure adequate funding for critical programs. A more formal mechanism could be established—in the Joint Economic Committee or elsewhere—to coordinate congressional attention to these matters.

Many other issues remain in need of resolution: How can rights to privacy be balanced against the need to know? What can be done to strengthen ties between those who develop legislative formulas using statistics and the agencies that produce those statistics? What is a suitable sharing of responsibility by federal and state governments in the production of statistics? What is the appropriate division of labor between the public and private sectors in the dissemination of federal statistics? Can a system of fair "user fees" be developed? What can be done to improve the "statistical literacy" of the rapidly growing community of data users? How can we encourage closer ties between government statisticians and other social scientists to determine how available data are being used and how federal statistics can be improved? Will we be able to attract innovative professional staff to the federal statistical system? How can we guarantee that the needs of a user community that spans government, business, academia, and individual citizens are heard and given full consideration as priorities for the federal statistical system are established? The agenda is full. The challenges are great.

## Conclusion

The U.S. federal statistical system has long been a source of pride—for its objectivity and integrity, and for the dedication of those who work in the statistical agencies. But present limits on the federal statistical system—philosophical questions about the responsibility of the federal government to provide information, emphasis on the "burden" of information collection, inadequate planning and coordination, fiscal budget constraints, and other recent developments—are eroding the scope, the quality, the currency, and, in the end, the usefulness of federal statistics.

While good statistics do not necessarily lead directly to the adoption of wise policies, they teach government, business, labor, and the public the effects of past actions and provide a mechanism to chart possible courses for the future. Unless current stresses on the system are lessened, the resulting inability to understand current trends in our society and economy will seriously hamper efforts by policymakers to analyze the needs of our nation, and by the public to evaluate the efficacy of programs proposed and implemented by the country's decisionmakers.

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